DEPARTMENT OF HOMELAND SECURITY

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September 30, 2003

MEMORANDUM

TO: Jeff Griffin
Regional Director
FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Field Office Director

SUBJECT: California Department of Fish and Game
Sacramento, California
Public Assistance Identification Number 000-92002
FEMA Disaster Number 1155-DR-CA
Audit Report Number DO-22-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the California Department of Fish and Game, Sacramento, California (Department). The objective of the audit was to determine whether the Department expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The Department received a public assistance award of $2.2 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency protective measures, and repair and replacement of damaged public facilities. The award resulted from severe storms, flooding, mud, and landslides that occurred from December 28, 1996, to April 1, 1997. The award provided 75 percent FEMA funding for 13 large projects and 89 small

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projects.[1] The audit covered the period December 28, 1996, to September 12, 2002, and included the review of seven large projects and eight small projects with a total award of $1,159,039 (see attached Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included a review of FEMA's, OES', and the Department's records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The Department generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the Department's claim for alternate project 80607 included questionable costs of $13,579 (FEMA's share - $10,184). The questionable costs consisted of $10,920 in duplicate costs and $2,659 for an alternate project miscalculation.

Finding A – Duplicate Cost Claimed

The Department's claim for project 80607 included $10,920 of costs also claimed for six small projects. The charges related to the removal of asbestos from six houses located at the San Joaquin Fish Hatchery, the same location as project 80607. While FEMA funding for the costs was provided in six small projects[2], the Department also claimed the expenditures under project 80607. Therefore, the $10,920 claimed by the Department for asbestos costs resulted in a duplication of benefits and was questionable.

Finding B – Alternate Project Miscalculation

The Departments' claim for project 80607 included $2,659 in ineligible costs. Those costs pertained to the computation of the alternate project ceiling that included estimated restoration costs for work that was not eligible for FEMA funding. According to Title 44, Code of Federal Regulations, Section 206.203(d)(2) [44 CFR 206.203(d)(2)], recoverable costs for an alternate project are capped at 90 percent of the federal share of the approved estimate of eligible costs. Details regarding the finding are provided below.

Alternate project funding was based on the estimated costs to restore four damaged employee housing units, two of which were not in use prior to the disaster. The actual scope of the

[1] Federal regulations in effect at the time of the disaster defined a large project as one costing $46,000 or more and a small project as one costing less than $46,000.
[2] Small projects numbers 80603, 80604, 80605, 80606, 80608, and 80609.

alternate project was to demolish three units and convert/restore one unit into an office structure. Department records and meetings with Department officials disclosed that two of the three units planned for demolition were not in use at the time of the disaster, had not been used for a number of years prior to the disaster, and the Department had no plans to occupy them in the future.

According to 44 CFR 206.226(i)(1), if a facility is being used for a purpose other than it was designed, restoration will only be eligible to the extent necessary to restore it to the immediate pre-disaster use. In this case, the OIG concluded that including restoration costs for the two units as part of the alternate project estimate was not appropriate since the units were vacant for an extended period of time with no planned future use. However, demolition of these units and payment of the costs associated with demolition for health and safety purposes was appropriate.

As demolition of the two unused facilities was appropriate for health and safety purposes, these two facilities should have been written as small projects at the time of the original inspection, and not even considered for inclusion of the alternate project. The remaining two facilities to be included in the alternate project would then result in the alternate project being computed as shown below:

Location	Estimated Remodel Costs
17339 Brooktrout	$33,362
17338 Brooktrout	$33,028
Total estimated costs	$66,390
	X 90%
Alternate project ceiling	$59,751

Department records showed that $62,410 of alternate project costs were incurred and claimed for the eligible work (restoration of one unit and demolition of the other) under project 80607. Thus, the difference of $2,659 is questionable ($62,410 minus $59,751) since FEMA reimbursements exceeded the eligible alternate project ceiling amount.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow $13,579 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with the Department and OES officials on August 11, 2003. Those officials generally agreed with the findings and recommendation. The OIG also discussed audit results with FEMA Region IX officials on September 2, 2003.

Please advise this office by October 30, 2003, of the actions taken to implement the recommendation in this report. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Trudi Powell and Apolinar Tulawan.

Exhibit

Schedule of Audited Projects
California Department of Fish and Game
Public Assistance Identification Number 000-92002
FEMA Disaster Number 1155 DR-CA

Project Number	Amount Awarded	Amount Questioned	Finding Reference
Large Projects			
74613	$ 73,172	$ 0	
74623	93,076	0	
74636	60,608	0	
74686	68,535	0	
74688	238,459	0	
80607	86,730	13,579	A & B
80625	226,857	0	
Subtotal	$ 847,437	$13,579	
Small Projects			
74648	$ 42,522	$ 0	
74682	42,522	0	
80603	39,875	0	
80604	40,209	0	
80605	33,362	0	
80606	33,028	0	
80608	39,875	0	
80609	40,209	0	
Subtotal	$ 311,602	$ 0	
Total	$1,159,039	$13,579	

Legend
A. Duplicate Cost Claimed
A. Alternate Project Miscalculation